



CREDIT EFFECT OF RURAL BENEFICIARIES OF KRISHNA DISTRICT IN ANDHRA PRADESH

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Abstract

India is a rising country. The causes holding back progress of the nation are numerous. Some of them can be credited to the low per capita revenue and larger mass of the inhabitants living under the poverty line and most of these from countryside part of India. This paper addressed the socio economic status of rural beneficiaries to know the impact of financial assistance by the financial institution. A expressive frequencies, descriptive statistics and student t-test was used at 5 percent level of implication for the ratio scale variables of annual revenue before and after monetary support.

Key Words: Poverty, Financial Assistance, Descriptive Statistics and Student T-Test.

INTRODUCTION

Mahatma Gandhi often said that the soul of India resides in the villages. Two out of three Indians still live here. When Gandhiji made the statement, rural India was very diverse from what it is today. Rural areas are also known as 'countryside' or a 'village' in India. It has a very low density of population. In rural areas, farming is the chief source of occupation along with fishing, small scale industries, earthenware etc. The mission is to determine the actual rural India still persists in immense intense. Almost every financial organization today has a description of rural India. Here are a few explanations: According to the Planning Commission, a town with an utmost population of 15,000 is measured countryside in nature. In these areas the panchayat takes all the decisions. There are five people in the panchayat. The National Sample Survey Organisation (NSSO) defines 'rural' as follows:

- An area with a inhabitants density of up to 400 per square kilometer,
- Villages with apparent investigation limitations but no community board,
- A smallest amount of 75% of male functioning population occupied in agriculture and associated actions.

RBI defines rural areas as those areas with a population of less than 49,000 (tier -3 to tier-6 cities. It is normally said that the countryside areas house up to 70% of India's population. Rural India contributes a big mass to India's GDP by way of agriculture, self-employment, services, construction etc. As per a harsh determination used by the National Sample Survey in its 63rd round, called review per capita expenses, countryside expenses accounts for 55% of total nationwide monthly disbursement, the countryside inhabitants at present accounts for one -third of the total Indian FMCG sales.

Countryside India is a source of power coming up to materialize. This is a wonderful opportunity of possibly adjoin to our financial system, equal to the current GDP of India! The obtainable vision has to be the meeting of rural Bharat with urban India. It is an opportunity to create a prosperous countryside middle class, even superior than in city. We need to build a new production of influential people and industrialists from our villages who will help power the future of our district, state and the nation.

In order to comprehend this dream, we need comprehensive enlargement. A new vision for cultivation will uplift lakhs of undersized cultivators. At the same time, we need to go further than cultivation. We need a wide support approach to offer countryside India contact to market and equipment, economic enclosure, and human being resources expansion. We need to create a new model of increase speed and yet sustainable growth. All stakeholders have a role to play in enabling this countryside alteration. The commercial banks and NGOs must create the right environment and put key enablers in place, businesses must drive innovation and investment and other stakeholders can bridge the gaps not addressed by the market.

FINANCIAL ASSISTANCE IN RURAL

Since the early 1980s, innovations in the delivery of financial services have enabled millions of people formerly excluded from the financial sector to gain access to these services on an ongoing basis. While there are overlaps in the financial sector among micro, rural and agricultural finance, it is important to understand how they differ and the various challenges they face:



MICROFINANCE

Microfinance sector has grown rapidly over the past few decades. Nobel Laureate Muhammad Yunus is credited with laying the foundation of the modern MFIs with establishment of Grameen Bank, Bangladesh in 1976. Today it has evolved into a vibrant industry exhibiting a variety of business models. Microfinance Institutions (MFIs) in India exist as NGOs (registered as societies or trusts), Section 25 companies and Non-Banking Financial Companies (NBFCs). Commercial Banks, Regional Rural Banks (RRBs), cooperative societies and other large lenders have played an important role in providing refinance facility to MFIs. Banks have also leveraged the Self-Help Group (SHGs) channel to provide direct credit to group borrowers.

With financial inclusion emerging as a major policy objective in the country, Microfinance has occupied centre stage as a promising conduit for extending financial services to unbanked sections of population. At the same time, practices followed by certain lenders have subjected the sector to greater scrutiny and need for stricter regulation.

“Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services.”

Microfinance is not just about giving micro credit to the poor rather it is an economic development tool whose objective is to assist poor to work their way out of poverty. It covers a wide range of services like credit, savings, insurance, remittance and also non-financial services like training, counseling etc.

Salient features of Microfinance:

- Borrowers are from the low income group
- Loans are of small amount – micro loans
- Short duration loans
- Loans are offered without collaterals
- High frequency of repayment
- Loans are generally taken for income generation purpose

RURAL FINANCE

The term rural finance refers to the financial transactions related to both agricultural and non-agricultural activities that take place among households and institutions in rural areas. In some cases, rural finance has been wrongly equated with agricultural credit, based on the assumption that credit is the binding constraint to achieving project objectives related to agriculture. A more effective and comprehensive view of rural finance encompasses the full range of financial services that farmers and rural households require, not just credit.

Rural finance comprises credit, savings and insurance (or insurance substitutes) in rural areas, whether provided through formal or informal mechanisms. The word 'credit' tends to be associated with enterprise development, whereas rural finance also includes savings and insurance mechanisms used by the poor to protect and stabilize their families and livelihoods (not just their businesses).

An understanding of rural finance helps explain the livelihood strategies and priorities of the rural poor. Rural finance is important to the poor. The poorest groups spend the highest proportion of their income on food – typically more than 60% and sometimes as much as 90%. Under these circumstances, any drop in earnings, or any additional expenditure (health or funeral costs, for instance) has immediate consequences for family welfare – unless savings or loans can be accessed. Financial transactions are therefore an integral part of the livelihood system of the poor.

Countryside economics consists of informal and formal sectors. Examples of formal sources of credit include: banks; projects; and contract farmer schemes. Reference is often made to micro-credit. *Micro* underlines the small loan size normally associated with the borrowing requirements of poor rural populations, and micro-credit schemes use specially developed pro-poor lending methodologies. Rural populations, however, are much more dependent on informal sources of finance (including loans from family and friends, the local moneylender, and rotating or accumulating savings and credit associations).



Countryside economics is a set of monetary services that are not limited to credit only. Monetary services in rural finance include: loans, savings, speculation, assurance funds, allowance services, account recognition, trader economics and indemnity.

Question for Discussion

1. Is there any development in financial life of countryside people from monetary support supplied by financial institution in Krishna district of Andhra Pradesh?

REVIEW OF LITERATURE

Rajithakumar and Sarangadharan (2003) recommended that suitable events for good co-ordination between banks and other monetary organizations can undertake numerous of the obtainable tribulations connected to the credit supplies of the main and lesser division in the state of Kerala (Sarangadharan, June 15- 2003).

Birchall (2003) discourse so as to the chief occupations of the supportive are to make available a conversation for debate, to assemble restricted possessions, to construct up good deal authority, to broaden the alternatives for revenue-producing actions, and to augment limited organize more than issues of construction¹ (J, 2003).

Manoj and Narayanan (2004) highlighted that banks are presentation on the twin main beliefs of liquidity and productivity and for that reason they have to please the productivity standard. So they have to be additional concern while make bigger loans. Banks cannot focus on social justice as they are delaying with other's money and are answerable to the depositor and investors. Communal fairness is to be taken care of by the administration² (Shankara, 18-19-October 2004).

Shetty (2004) examined the allocating problems in bank credit. He established that the contributed to of farming in total bank credit had progressively greater than before under the desire of bank nationalization and arrived at 18% towards the end of 1980s. But after that the accomplishments have been approximately totally upturned and share of farming has dished to less than 10% in the later 1990s. Even the number of farm loan explanation with SCBs has refuse in complete terms from 27.74 million in March 1992 to 20.84 million in March 2003. Similarly, the share of SSIs has also fallen radically. He also recommended that a good approach for credit release should be intended so as to make sure sufficient credit to main concern division .

Udayakumar (2004), in his doctoral thesis, made learn on provide and operation of undeveloped finance in Kerala. He established that loan operation pattern was same in the container of both supportive and marketable depository divisions and yielding of loans was closely related to accessibility of safety. He in addition established that standard advance quantity provided by marketable banking division was superior to that of the supportive division and in the case of operational example local difference was unimportant in supportive and marketable banking division. He recommended that there should be transfer from safety based banking to reason based banking and correct observed on credit operational must be methodically work out. He also recommended endorsement campaign by lending organization through administration proposal and local self-administration to the region and crop. He additionally recommended the reorganization of organization and directorial system in supportive to invigorate them³ (Udaykumar, 2004).

Valsamma (2004) evaluated the presentation of RRBs and the need for invigorating them. She put side by side to additional kinds of depositories. In number of branches, a stable growth was found from 1981 to 1991. But subsequently a downward tendency was noticed. She also found that SCBs administered to tap deposits to the tune of Rs.1,77,000 crores, ie, 13.8% of the total deposits from the countryside division but credit expenditure in these areas was only Rs.75000/ crores ie, 9.9% only, representative convey of rural funds to urban areas at the cost of the credit ravenous priority division. She accomplished that the tribulations of RRBs like capital insufficiency, large NPAs, delay in decision making, staff inappropriateness and limitations in respect of deposit recruitment and scope for investment can be conquered by stimulating the arrangement and

¹ J.B.(2003).*Rediscovering the Cooperative Advantage:Poverty Reduction through Self-Help.Cooperative Branch,International labor office* ISBN 92-2-113603-5Aniefiok.

² Shankara,M.P.(18-19-October 2004).*Reforms in Banking Sector and its Impact on Economic development and Social Justice.A seminar on Emerging Trends in Banking and Insurance Sector in India-St Thomus College-Pala.*

³ Udaykumar.(2004).*A study on Supply and Utilization of Agriculture Finance in Kerala,Ph.D Theses,University of Kerala.*



policies of RRBs like alter in the resources arrangement and possession pattern, giving better role to sponsor banks, commencing resources sufficiency norms, computer based organization system and structural consolidation by way of merger on socio-economic/zone bases ⁴ (Antony, Revitalization the RRBs , OctoberDecember 2004).

Yeole (2004) deliberated the difficulty of NPAs of marketable banks. She established that the difficulty of NPA is more in PSBs than in private division and overseas banks. She also found that NPAs in PSBs are growing not only due to outside issues like unproductive revival tribunal, headstrong evasion, usual disaster, manufacturing sickness, lack of command, labor tribulations, alter in administration strategies etc; but as well inner factors like decision-making shortage, unfortunate knowledge, poor credit assessment organization, indecent SWOT examination, nonexistence of expected industry visit etc. Due to incompetent events, NPAs happen to more and more multifaceted and have an effect on depositors liquidity and productivity unfavorably ⁵ (Arun, The Problems of NPAs, November 2004).

Majumdar (2005) examined the function and significance of main concern division proceeds in India in the globalized depository situation. He established that RBI unsuccessful to seize decline of the physical condition of all organization concerned in countryside credit; PSBs, supportive credit organization and RRBs- all of which demonstrated high NPS. He also found that monetary division reform (FSRs) where ill conceive and unrelated to the specific socio financial environment of the Indian earth and they achieve something in creating an adversarial surroundings for countryside credit. He disagreed that still in the globalized banking situation, main concern division would carry on to play a critical position in the growth and enlargement of the Indian financial system. He recommended that, the PSBs be supposed to redirect the matter of lengthening sufficient credit sustain to precedence division, increase the connection of self-help collection to the banking and redefine the function of supportive credit arrangement in the framework of FSRs⁶ (N.A, 2005).

Valsamma (2005) examined the presentation RRBs. She affirmed that in the middle of the variety of organizational groups occupied in countryside business, RRBs participate a important position in economics the goal crowd in countryside division. RRBs in the nation are executing from side to side their 14, 400 branches, extend across 511 districts as on March 31st, 2003, their deposits progresses and mounted up losses amounted to Rs. 45000 crores, 19,000 crores, and 2700 crores in that order. She additionally became aware of that entire agricultural proceeds by PSBs was only 15.34% and private division banks, 10.78% as on March 31st, 2003 as aligned with the goal of 18%. She additionally became aware of the difficulty experienced by RRBs like pitiable recuperation time, impediment in conclusion making, assets insufficiency and employees incongruity to manage with countryside ambiance. She accomplished that a goal oriented, instance hurdle, practical and provincial move toward necessary for most favorable consequences in countryside credit⁷ (Antony, Regional Rural Banks as Champions of Rural Credit, 2005 January).

Yadav (2005) opined that attempts are on top of to make sure ease use of more depository branches in regions contain high inhabitants and systematize community meet for generating consciousness about amenities obtainable with the depository, security, liquidity of the finance, a variety of deposit, and progressing systems can go a lengthy method in fine altering the countryside economics opening. He also pointed out that countryside Indian banking has been playing a important part in economics countryside ventures⁸ (Singh, 2005).

The study by Sudipta Bhattacharya, was based on aspects of agricultural credit policy. It was indicated in the study that, the poverty or purpose of failure is the main reason behind default for the deprived households; the defaults by the upper economic classes are mainly intractable. The important point found in the study is that the willful defaulters generally belong to the upper economic classes who are enthusiastic to pay high rate of interest but misuse the funds in fruitless use. The economically poor borrowers experience from lack of fresh investable fund to develop their production in favorable atmosphere following the agrarian reform. This in the long run would put at risk the system. There is a lack of banking habits

⁴ Antony, V (OctoberDecember 2004). Revitalization the RRBs, The Economic Challenger-No 7, Issue 25, 63-65.

⁵ Arun, Y (November 2004). The Problems of NPAs, Yojana, 35-38

⁶ N.A.M (2005). Role of Relevance of Priority Sector Lending in Globalized Banking Scenario. Economic Developments in India, 63-67.

⁷ Antony, V. (2005 January). Regional Rural Banks as Champions of Rural Credit, Kurukshetra, 20-23.

⁸ Singh, Y.S. (2005). Emerging Avenues in Rural Banking, Kurukshetra, 16-19.



and a large section of recipients of institutional credit do not want to receive the same, for this explanation, the IRDP which provides subsidized credit to target rural people.⁹ (Bhattacharya, 2008)

Prof Dilip Khankhoje, in his paper conducted investigation whether the restructuring of rural banks in India undertaken in 1993-94 – has helped to improve their production efficiency. It was found in his study that, the mean efficiency scores of pre-restructuring and post restructuring years were compared with ANOVA technique whether restructuring has resulted in improving efficiency of these banks. The study shows that mean efficiency scores of RRBs shown a significant increase. The study recommends that the existing policy of bringing down non-performing assets as well as curtailing the establishment expenditure through voluntary retirement scheme for bank and rationalization of rural branches are steps in the right direction that could help these banks improve further over a period of time.¹⁰ (khankhoje, 2008).

STATEMENT OF THE PROBLEM

There are amount of topics connected to physical condition, teaching and hygiene which need vital concentration. Farming increase is dangerous and needs to pick up. Our nationwide farming efficiency is among the lowest in the world and if we compare farming manufacture of different states in India, it is much lesser, even slight upgrading in capitulate will have an important force on overall growth. And yet there is a need to go beyond agriculture to make a real impact on the people who live in rural Andhra Pradesh. The rural Krishna district is having many problems which need immediate attention. The various problems are as given below:

1. **Financial inclusion:** Lack of access to capital is one of the most serious deterrents to development in rural Andhra Pradesh. Access to formal banking would not only eliminate unbearable debt for the poor but also bring capital investments into rural.
RBI of India has set targets for reaching more villages. However, it requires moving much faster to bring the entire rural population within the coverage of formal banking and release them from the clutches of unscrupulous moneylenders.
2. **Agriculture:** While agricultural production has gone up, our agricultural productivity levels are amongst the lowest in the world particularly in Andhra Pradesh it is too low. Small land holdings with limited mechanization and limited access to affordable capital have contributed to low productivity levels.

NATURE AND SCOPE OF THE STUDY:

The nature of the study is descriptive in nature. The scope of the study is related to to the study of beneficiaries of banks in providing loans in Krishna district of Andhra Pradesh. The key to understating the conceptual perplexity surrounding in Krishna district of Andhra Pradesh is to know the increasing number of activities which have come within the scope of rural development efforts. The research particularly influential in promoting the view of rural development as involving the systematic interaction of numerous activities, to be carefully orchestrated if objectives for inducing growth or improving quality of life are to be reached. Briefly, it begins by identifying components essential for rural development: (1) Agricultural productivity; (2) Small scale business and retail; (3) Small scale industries.

OBJECTIVES OF THE STUDY

The following are the objectives of the study

1. To elicit the views of beneficiaries income growth after availing the financial assistance from the banks in Krishna district.
2. To study the credit and subsidy component and its recovery in Krishna district.
3. To offer findings, suggestions and conclusions of the study to improve the role of financial institution.

Hypothesis:

The present study is undertaken into the following hypothesis:

1. H_0 : The beneficiaries are satisfied into the credit and subsidy component and have improved their living.
2. Methodology of the study:
3. Sample: A sample of 191 beneficiaries is selected for the study. The sample is drawn on the basis of purposive and convenience method of sampling.
4. Source of data collection: The information for the present study is collected from both primary resources.
5. Method of data collection: The primary data is collected with the help of structured

⁹ Bhattacharya,S.(2008).*Rural Credit,Market reform and Interventionist Institutions:A Macro study of West Bengal.The ICAFI University Journal of Agricultural Economy*,Vol.V,No.3.

¹⁰ KhanKhoje,P.D.(2008).*Efficiency of Rural Banks:The Case of India.International Business Research*,10.



questionnaire. The questionnaire has the following types of questionnaire:

- a. Open ended questions
- b. Closed ended questions

The closed end questions consist of agreement/disagreement type of questions, multiple questions and binary questions. Secondary data is collected from annual reports, websites.

- 1. Data analysis: The data is analyzed in tables, charts, percentages and statistical techniques like t-testis used to interpret the data.

DATA ANALYSIS

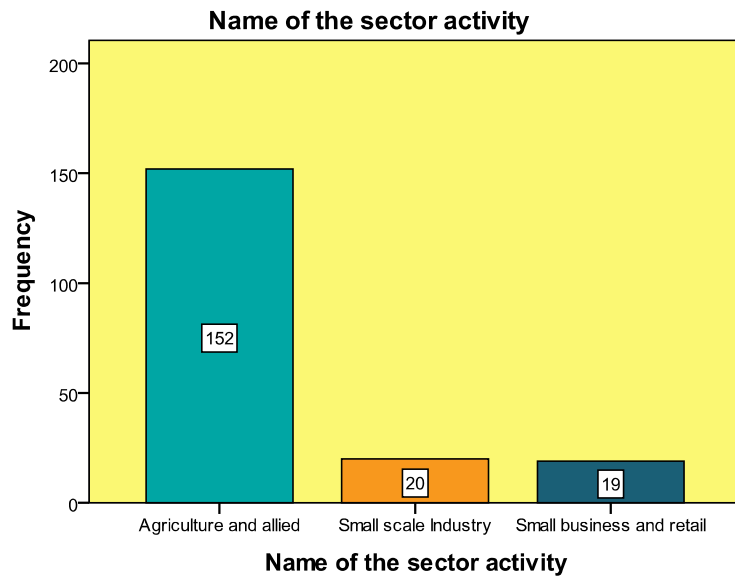
Beneficiaries age analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean
Age of beneficiar	191	35	53	42.04
Valid N (listwise)	191			

A sample of 191 respondent beneficiaries was participated to give their opinion on the benefit availed from financial institutions of Krishna district. Age was one of the variables in the study, beneficiaries average age was 42 yrs with minimum of 35 yrs and maximum of 53 yrs. It was found that middle aged people are depending on financial assistance.

Name of the sector activity:



Name of the sector activity	Frequency
Agriculture and allied	152
Small scale Industry	20
Small business and retail	19
Total	191

A variable was constructed to know that the beneficiaries depending activity from priority sector activities. Among Agriculture, small scale industry and small business and retail trade, 152 of 191 beneficiaries are depending on agriculture. Income analysis:

Annual Income			Loan Amount			Income after the loan		
Mean	Maximum	Minimum	Mean	Maximum	Minimum	Mean	Maximum	Minimum
64487	95000	20000	45582	300000	10000	78178	432000	25000

Average annual income before the loan was 64487, loan amount was 45582 and annual income after the loan was 78178. A growth is visible however for today’s standard of living, it is not enough.

t-Test:



Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Income after the loan - Annual Income	13690.681	59057.376	4273.242	5261.591	22119.770	3.204	190	.002

A paired sample t-test was conducted to know the credit impact on income generation by the rural beneficiaries. At 5% level of significance, probable value was 0.02 which is less than 0.05. Hence rejecting the null hypothesis, that there is a effect of financial assistance by the banks to the beneficiaries and the impact was observed more income than income generated before the loan.

FINDINGS AND CONCLUSIONS

Rural development has always remained as focal point of economic development of the country since the beginning of the planning era. In respect to Indian scenario, it is a societal problem rather than economic problem. The objective of rural development is to promote economic activities by ensuring effective utilization of rural resources, and ensuring adequate human welfare in the rural life. Bank finance is an inevitable factor determining and facilitating the utilization rural resources and economic activities.

The compound rate of growth in the amount of priority sector advance, agriculture and SSI advance is required considerable change in improvement. The compound rate of growth in the amount of advances to marginal, small and large farmers reduced. These show that a paradigm shift has taken place in bank advances, particularly in priority sector advance. Banks want to play safe and so their priorities in lending are directed towards new vistas like housing, vehicles, consumer durables, construction etc. So the emerging needs of agriculture and industry are getting back seats.

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